

Combined Utility System Fund
For the period ended May 31, 2005
(amounts expressed in thousands)

| | FY2004 Actual | FY2005 | | | | |
|--|------------------|-------------------|-------------------|------------------|----------------------------|-------------------|
| | | Adopted Budget | Current Budget | YTD | Controller's Projection | F&A Projection |
| Operating Revenues | | | | | | |
| Water Sales | \$ 265,272 | \$ 311,068 | \$ 311,068 | \$ 270,974 | \$ 296,706 | \$ 296,706 |
| Sewer Sales | 257,224 | 299,253 | 299,253 | 257,773 | 291,190 | 291,190 |
| Penalties | 4,150 | 3,741 | 3,741 | 4,215 | 4,288 | 4,288 |
| Other | 4,562 | 4,360 | 4,360 | 4,198 | 4,461 | 4,461 |
| Total Operating Revenues | <u>531,208</u> | <u>618,422</u> | <u>618,422</u> | <u>537,160</u> | <u>596,645</u> | <u>596,645</u> |
| Operating Expenses | | | | | | |
| Personnel | 124,054 | 122,241 | 125,410 | 105,676 | 117,000 | 117,000 |
| Supplies | 23,141 | 26,007 | 26,922 | 25,096 | 28,000 | 28,000 |
| Electricity and Gas | 35,200 | 47,169 | 46,028 | 42,796 | 47,000 | 47,000 |
| Contracts & Other Payments | 84,323 | 92,013 | 92,378 | 66,756 | 78,000 | 78,000 |
| Total Operating Expenses | <u>266,718</u> | <u>287,430</u> | <u>290,738</u> | <u>240,324</u> | <u>270,000</u> | <u>270,000</u> |
| Operating Income (Loss) | <u>264,490</u> | <u>330,992</u> | <u>327,684</u> | <u>296,836</u> | <u>326,645</u> | <u>326,645</u> |
| Nonoperating Revenues (Expenses) | | | | | | |
| Interest Income | 6,889 | 5,161 | 5,161 | 9,331 | 9,626 | 9,626 |
| Sale of Property, Mains and Scrap | 664 | 508 | 508 | 1,019 | 1,025 | 1,025 |
| Other | 9,934 | 7,863 | 7,863 | 7,847 | 7,862 | 7,862 |
| Other Financing Sources - Pension Bonds | 0 | 0 | 0 | 3,308 | 3,308 | 3,308 |
| Gain on escrow restructure | 0 | 0 | 0 | 31,838 | 31,838 | 31,838 |
| Gross Revenue Contrib. from Water Auth. | 60,687 * | 0 | 0 | 0 | 0 | 0 |
| Impact Fees | 15,580 | 14,000 | 14,000 | 15,497 | 15,497 | 15,497 |
| HAWC | (6,391) | (4,608) | (4,608) | (1,677) | (4,608) | (4,608) |
| CWA & TRA Contracts (P & I) | <u>(31,454)</u> | <u>(32,317)</u> | <u>(32,317)</u> | <u>(30,325)</u> | <u>(32,317)</u> | <u>(32,317)</u> |
| Total Nonoperating Rev (Exp) | <u>55,909</u> | <u>(9,393)</u> | <u>(9,393)</u> | <u>36,838</u> | <u>32,231</u> | <u>32,231</u> |
| Income (Loss) Before Operating Transfers | <u>320,399</u> | <u>321,599</u> | <u>318,291</u> | <u>333,674</u> | <u>358,876</u> | <u>358,876</u> |
| Operating Transfers | | | | | | |
| Debt Service Principal | 67,492 | 12,675 | 12,675 | 11,745 | 12,675 | 12,675 |
| Debt Service Interest | 154,238 | 179,902 | 179,902 | 169,706 | 179,902 | 179,902 |
| Discretionary Debt | 29,572 | 28,934 | 28,934 | 27,822 | 28,934 | 28,934 |
| Other Contractual Obligations | 0 | 474 | 474 | 0 | 474 | 474 |
| Equipment Acquisition | 8,145 | 17,862 | 17,862 | 5,384 | 12,000 | 12,000 |
| CUS General Purpose Fund | 46,752 | 49,752 | 46,444 | 0 | 92,891 | 92,891 |
| Transfer to General Fund | 4,100 | 2,000 | 2,000 | 0 | 2,000 | 2,000 |
| Transfer to Combined Utility System | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer to Stormwater | 10,100 | 30,000 | 30,000 | 27,500 | 30,000 | 30,000 |
| Total Operating Transfers | <u>320,399</u> | <u>321,599</u> | <u>318,291</u> | <u>242,157</u> | <u>358,876</u> | <u>358,876</u> |
| Net Current Activity | | | | | | |
| Operating Fund Only | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>91,517</u> | \$ <u>0</u> | \$ <u>0</u> |

*Note: For CAFR purposes, this amount is treated as deferred revenues and is presented here to make it more comparable to the budgetary accounting basis used in the MFOR.

About the Fund:

The Combined Utility System Fund is an enterprise fund which accounts for operation of the City's water and wastewater facilities. The fund provides for the operation of the City's treated and untreated water, as well as, receive and process wastewater generated in a service area that includes the City, certain municipalities and unincorporated communities in the Houston metropolitan area. Some of the City's largest customers are other cities and water authorities which supply water to their own customers.